

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2090-02
Bill No.: HB 924
Subject: Revenue Department; Roads & Highways; Taxation & Revenue-General;
Transportation; Department of Transportation
Type: Original
Date: March 7, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$42,105,717)	(\$74,110,316)	(\$111,121,089)
State Highway & Transportation/ State Road	\$81,039,813	\$169,954,466	\$209,019,992
State Sales Tax Transportation	\$219,825,000	\$459,525,000	\$480,300,000
Total Estimated Net Effect on <u>All</u> State Funds*	\$258,759,096	\$555,369,150	\$578,198,903

***Does not include potential costs or savings due to the implementation of design-build contracting.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Cities	\$10,435,013	\$21,262,823	\$21,726,024
City of St. Louis	\$99,012	\$201,000	\$204,014
Counties	\$8,838,488	\$17,994,216	\$18,360,288
Local Government	\$19,372,513	\$39,458,039	\$40,290,326

Numbers within parentheses: () indicate costs or losses.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Transportation** (MoDOT) assume the proposal increases the motor fuel tax by two cents, removes the sunset clause of the six-cent portion of the motor fuel tax set to expire in FY 2008, reduces appropriations to other state agencies from the State Highway & Transportation Department Fund by one-fifth per year over five years, creates the State Sales Tax Transportation Fund, increases the sales & use tax on motor vehicles by three-quarters of one percent, increases the general sales tax by three-quarters of one percent, allows design-build contracts, changes the legal blood alcohol content (BAC) to .08%, and includes 40 centerline miles in the City of Saint Louis in the state highway system.

MoDOT assumes allowing the commission to use the design-build contracting method will have no fiscal impact. **Oversight** assumes the method will not generally be used unless it is more economical, but also notes that the commission is authorized to pay a fee to all responsive bidders who do not receive a contract. As such, Oversight assumes the fiscal impact could be an unknown savings or an unknown cost.

MoDOT assumes the proposal adds an additional 40 centerline miles of principal arterials in the City of Saint Louis, in addition to the 42 miles MoDOT already maintains. MoDOT estimates an average width of 4.25 lanes, for a total of 170 lane miles. Resurfacing every mile every ten years is estimated at \$3.15 million annually. Routine maintenance is estimated at \$425,000 annually. MoDOT is uncertain whether snow removal and bridge replacement are their responsibilities or will remain with the city. Snow removal is assumed to cost \$425,000 per year on the streets, and bridge replacement is estimated at \$2.16 million annually. **Oversight** assumes these costs will be borne by MoDOT.

ASSUMPTION (continued)

MoDOT assumes the bill complies with the federal requirements in TEA 21. Therefore, MoDOT assumes Missouri will be eligible to participate in the TEA 21 incentive grant program, which allows states to share in \$90 million in incentive grant funds. Based on the latest estimates from Department of Public Safety, the amount of money Missouri would be eligible for would be approximately \$3 million, as long as no other states become eligible this fiscal year. The incentive money is available for FY02 and FY03. Therefore, for the sake of estimating an impact, we will use the \$3 million estimate. Because these financial provisions are prospective, **Oversight** has excluded these amounts from the fiscal impact.

Officials with the **Office of Administration–Division of Budget & Planning** (BAP) assume the two cent motor fuel tax increase will generate revenues of \$39.6 million in FY 2002; \$80.4 million in FY 2003; and \$81.6 million in FY 2004. These revenues will be distributed according to Article IV, Section 30(a) of the Missouri Constitution. MoDOT estimated additional revenues of \$41 million in FY 2002; \$83.3 million in FY 2003; and \$84.5 million in FY 2004. **Oversight** has included figures provided by BAP in the fiscal impact.

BAP estimates \$499 million annually in new revenues from the 3/4 percent increase in the sales tax. Of this, \$59.7 million is due to the increased tax on motor vehicles, which will be distributed according to Article IV, Section 30(b) of the Missouri Constitution. The remainder will accrue to the State Sales Tax Transportation Fund. Revenues for FY 2002 reflect six month's collections. Figures provided by MoDOT assume revenues of \$252 million in FY 2002; \$519 million in FY 2003; and \$535 million in FY 2004. **Oversight** has used figures provided by BAP for the fiscal impact shown.

Officials with MoDOT and BAP assume the proposal will result in savings to the Highway Fund of \$37 million in FY 2002; \$74 million in FY 2003; and \$111 million in FY 2004 due to the reduction of appropriations to other state agencies. Officials with the **Missouri Highway Patrol**, the **Department of Revenue**, the **Department of Natural Resources**, and the **Office of the State Auditor** assume that this proposal means funding must be cut for their agencies. **Oversight** assumes the savings to the Highway Fund will generally be offset by costs to General Revenue, as most of the programs will not be discontinued.

The lowering of the legal BAC to .08% is expected by the DOR to increase workloads in the Driver & Vehicle Services Bureau by 16.7% for alcohol-related arrests & convictions. This translates to 17,827 documentation items, for which DOR indicates one additional FTE is needed, a Clerk Typist II (1 FTE at \$20,472), which will perform data entry and respond to inquiries. **Oversight** assumes the additional clerk typist duties could be absorbed with existing resources.

ASSUMPTION (continued)

The DOR General Counsel's Office anticipates the same 16.7% increase in alcohol-related offenses, and assumes a greater number of hearings due to individuals contesting the lower BAC limit. Three additional Legal Counsels (3 FTE at \$38,628) are requested (one each for offices in Kansas City, Saint Louis, and Jefferson City) to absorb the additional hearings, as is one Clerk Typist III (1 FTE at \$23,184) for docketing, scheduling, and preparing for the additional hearings. One-time office equipment purchases of \$26,970 are estimated. Expenses of \$13,080 are expected annually. **Oversight** assumes that one General Counsel and one Clerk Typist II could handle the additional workload, consistent with DOR's response to a similar proposal in the prior session. The costs to DOR have been adjusted accordingly.

The DOR Driver & Vehicle Services Bureau estimates first year mailing costs of \$3,100 (mailings to law enforcement officers), and annual costs of \$3,826 (mailings regarding suspension, revocation, reinstatements, and correspondence). Modification of forms is expected to total \$6,000 in FY 2002. **Oversight** assumes DOR could absorb the cost of production and postage for these forms, and has excluded such costs from the fiscal impact.

DOR anticipates an additional \$2,000 in State Data Center programming costs for FY 2002 due to the lowered BAC limit. **Oversight** assumes DOR could absorb this minimal cost, and has excluded such costs from the fiscal impact.

DOR estimates an additional 4,241 reinstatements of revoked and suspended licenses annually due to the lowered BAC limit. This translates to additional fees of \$93,150 in FY 2002; \$182,475 in FY 2003; and \$189,765 in FY 2004. DOR indicates these funds will be distributed to the Highway & Road Funds (75%), cities (15%), and counties (10%).

DOR indicates that the additional suspensions for careless & imprudent driving will result in an additional 2,234 reinstatements per year. This will result in revenues of \$18,600 in FY 2002 and \$44,680 in FY 2003 and 2004. This will be distributed as noted above.

Costs to implement the motor fuel tax increase are estimated by DOR at \$14,526 for FY 2002.

Officials with the **Office of the Secretary of State** assume advertisement costs for the proposal would be \$4,380 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit, approximating \$2,000,000. The proposal would be on the ballot for November 2001. **Oversight** estimates election costs for the November, 2001, special election at \$3,000,000.

Officials with the **Department of Health** and the **Department of Mental Health** assume no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost--Various State Agencies</u>			
Appropriations Previously Made from Highway Fund	(\$37,000,000)	(\$74,000,000)	(\$111,000,000)
<u>Costs--DOR</u>			
Implementation of Motor Fuel Tax/.08 BAC Legislation			
Personal Service (3 FTE)	(\$66,310)	(\$81,562)	(\$89,596)
Fringe Benefits	(\$22,101)	(\$27,160)	(\$29,835)
Expense & Equipment	<u>(\$17,306)</u>	<u>(\$1,594)</u>	<u>(\$1,658)</u>
<u>Total Costs--DOR</u>	(\$105,717)	(\$110,316)	(\$121,089)
<u>Costs--SOS</u>			
Election Advertisements	(\$2,000,000)	\$0	\$0
Election Costs	(\$3,000,000)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$42,105,717)</u>	<u>(\$74,110,316)</u>	<u>(\$111,121,089)</u>
STATE HWY & TRANSPORTATION DEPT./STATE ROAD FUNDS*			
<u>Revenues--MoDOT</u>			
Reinstatement Fees (75%)	\$83,813	\$170,366	\$175,833
Motor Fuel Tax Increase--\$.02 (70%)	\$27,723,500	\$56,280,000	\$57,124,000
Sales Tax Increase--Motor Vehicles--75% (75%)	<u>\$22,387,500</u>	<u>\$45,843,750</u>	<u>\$47,250,000</u>
<u>Total Revenues--MoDOT</u>	\$50,194,813	\$102,294,116	\$104,549,833
<u>Savings--MoDOT</u>			
Appropriations Previously Made from Highway Fund	\$37,000,000	\$74,000,000	\$111,000,000
<u>Costs--MoDOT</u>			
St. Louis Arterials--Resurfacing	(\$3,145,000)	(\$3,239,350)	(\$3,336,531)
Surface Maintenance	(\$425,000)	(\$437,750)	(\$450,883)
Snow Removal/Sweeping	(\$425,000)	(\$437,750)	(\$450,883)
Bridge Replacement	<u>(\$2,160,000)</u>	<u>(\$2,224,800)</u>	<u>(\$2,291,544)</u>
<u>Total Costs--MoDOT</u>	(\$6,155,000)	(\$6,339,650)	(\$6,529,841)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
ESTIMATED NET EFFECT ON STATE HWY & TRANSPORTATION DEPT./STATE ROAD FUNDS*	<u>\$81,039,813</u>	<u>\$169,954,466</u>	<u>\$209,019,992</u>
STATE SALES TAX TRANSPORTATION FUND			
Sales Tax Increase—General Sales—.75%	<u>\$219,825,000</u>	<u>\$459,525,000</u>	<u>\$480,300,000</u>

***Does not include potential costs or savings due to the implementation of design-build contracting.**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Revenues—Cities</u>			
Reinstatement Fees (15%)	\$16,673	\$34,073	\$35,167
Motor Fuel Tax Increase—\$.02 (15%)	\$5,940,750	\$12,060,000	\$12,240,857
Sales Tax Increase—Motor Vehicles—.75% (15%)	<u>\$4,477,500</u>	<u>\$9,168,750</u>	<u>\$9,450,000</u>
<u>Total Revenues—Cities</u>	<u>\$10,435,013</u>	<u>\$21,262,823</u>	<u>\$21,726,024</u>
<u>Revenues—City of Saint Louis</u>			
Motor Fuel Tax Increase—\$.02 (.25%)	<u>\$99,012</u>	<u>\$201,000</u>	<u>\$204,014</u>
<u>Revenues—Counties</u>			
Reinstatement Fees (10%)	\$11,750	\$22,716	\$23,445
Motor Fuel Tax Increase—\$.02 (14.75%)	\$5,841,738	\$11,859,000	\$12,036,843
Sales Tax Increase—Motor Vehicles—.75% (10%)	<u>\$2,985,000</u>	<u>\$6,112,500</u>	<u>\$6,300,000</u>
<u>Total Revenues—Counties</u>	<u>\$8,838,488</u>	<u>\$17,994,216</u>	<u>\$18,360,288</u>

FISCAL IMPACT - Small Business

This bill would have a direct fiscal impact on small businesses through higher sales and motor fuel taxes.

DESCRIPTION

This bill is a comprehensive package relating to transportation funding. The bill:

- (1) Increases the state sales and use tax on tangible personal property including the purchase and lease of motor vehicles, trailers, boats, and outboard motors from 4% to 4.75%;
- (2) Creates a State Sales Tax Transportation Fund into which revenues from the additional .75% sales and use tax will be deposited. The distribution of this revenue is as follows:
 - (a) 15% will be for public transit systems, with 75% going to systems in municipalities having a population of 50,000 or greater and 25% to municipalities under 50,000;
 - (b) 5% will be for multimodal transportation projects;
 - (c) 30% will go toward the rehabilitation of the interstate system with 2% of the allotted funds to be used for paying the cost of issuing state road bonds and for the cost of toll road projects; and
 - (d) 50% will be for the state highway system with 2% of the allotted funds to be used for paying the cost of issuing state road bonds and for the cost of toll road projects;
- (3) Increases the state motor fuel tax from 17 to 19 cents per gallon;
- (4) Reduces the amount of appropriations from the State Highways and Transportation Department Fund to agencies for any purpose not related directly to highway construction and maintenance by one fifth of the Fiscal Year 2001 appropriations until the appropriations in 2006 are zero;
- (5) Requires the state to maintain 40 center line miles of arterial state highways in the City of St. Louis. The city will retain ownership and responsibility for all street lights, signals, signage, underground right-of-way and utilities, and right-of-way adjacent to the traveled portion of a highway;
- (6) Allows the Highways and Transportation Commission to enter into design-build highway project contracts. Design-build projects may be used only for construction work greater than 10 miles;
- (7) Lowers the blood alcohol content (BAC) level necessary for a conviction of driving with excessive BAC from .10 to .08;

DESCRIPTION - continued

- (8) Increases the point penalty for careless and imprudent driving where aggravating circumstances exist or when an accident occurs in which any person receives moderate physical injury. "Aggravating circumstances" are defined as circumstances in which any person suffers death or serious physical injury; and
- (9) Allows law enforcement officers to administer a test to determine the blood alcohol content of any driver who is involved in an accident that results in the death of any person or where a person has been ticketed in an accident resulting in serious physical injury.

The bill has a referendum clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Office of Administration
Division of Budget and Planning
Missouri Highway Patrol
Department of Revenue
Department of Natural Resources
Department of Health
Department of Mental Health
Office of the State Auditor
Office of the Secretary of State



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March 7, 2001